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AN OFFICE PROFILE IN TWO PARTS

LONDON

BY W. GUY DENSEM, F.C.A.

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PART I

To those who have ever been associated with Deloitte's, London Office may mean different things. To those from our associated firms either in the United Kingdom or overseas, it is a place to be visited when opportunity arises to make contacts, to meet old friends and probably to make new ones, somewhat as you may regard your Executive Office in New York. To past and present members of the London Office staff it is a busy practice office, caught up in the urgency of getting work done on time. To many readers in the United States it may seem no more than an important office of the combined practices of Deloitte's and Haskins & Sells which are today joined together in so many parts of the world. For them I hope to portray us as a group of very compatible individuals preceded by some of the more notable figures in the history of British accountancy.

To give a better understanding of the history which I shall presently relate, I should perhaps start with a brief picture of the present. London office numbers somewhat more than 600 persons. Our new office into which we moved last year is in the top three and a half floors of a new building, limited to five floors by reason of its proximity to St. Paul's Cathedral (opposite), which it faces across an open space. Audit clients and their related taxation matters continue to form the basis of our practice, but management consultancy work is

of growing importance. Whilst I shall not attempt to cover them in this profile, there are seven other offices in the United Kingdom. Beyond our scope, too, is the Deloitte, Plender, Haskins & Sells international practice, for the European and African portions of which we, in London, have primary responsibility.

An important section of the London clientele consists of companies whose stocks or shares are quoted on the London Stock Exchange. I recently saw some figures, which I have not attempted to check, which indicated that five of the larger firms in London between them audit no less than 20 per cent of these companies and that Deloitte's who audit 240 of them are third in the list. It is interesting that one has to include no less than 99 firms to cover the next 40 per cent of such companies. I have seen another table which indicated that if the net assets of clients form the basis of comparison, Deloitte's would be even higher in the list.

W. W. Deloitte, the founder of the firm (photo, page 15), set up in practice as a public accountant at the age of 27 in the City of London in 1845, eight years after Queen Victoria had ascended the throne. Dickens was in his prime (one of his grandsons, called "Pip" after his namesake in *Great Expectations*, was later a member of our staff for some years), and most of the great Victorians were alive. One can



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imagine the clerks working with a quill, soon to be supplanted by the steel pen, and, if they were lucky, under the recently-introduced gas light. Envelopes were practically unknown, and letters were sealed by wafers.

England under Victoria was embarked on one of the most peaceful and prosperous periods of her history and was entering upon the latter phase of the Industrial Revolution. It was a time of robust, if harsh, economic development often attributed to the completion of the major railway lines in this country and to the emergence of the joint stock company. Insolvencies were frequent, due in part to keen competition and the ups and downs of a rapidly expanding economy. This may have been unfortunate for the businessman, but for the accountants, including Mr. Deloitte, insolvency work bulked large in their practices.

Joint stock companies got their main impetus from the Companies Act of 1855, which granted them the privilege of limited liability. It also required that their accounts be audited, and this provision laid the foundation for the modern concept of directors' accountability and helped the growth of the accounting profession.

The Companies Act of 1862 prohibited partnerships of more than 20 persons. Although this was a limitation

intended to protect those who dealt with large trading ventures, and those who invested in them, it also applied to professional firms. It is still in effect today and accounts for a major difference between the way large accounting firms organise their practices in Great Britain and the United States. Deloitte's 18 London partners have to rely very much on managers (there are 24 of them) and supervising seniors, the majority of whom have been with the firm for a considerable period. These senior staff members undertake a substantial portion of the burden of organising the work of the staff and also of maintaining client contact. Over the years there has built up a close relationship between the partners and the senior members of the staff and this permeates the whole office. There is an atmosphere of friendliness and co-operation which is always remembered by former members of the staff whenever they meet.

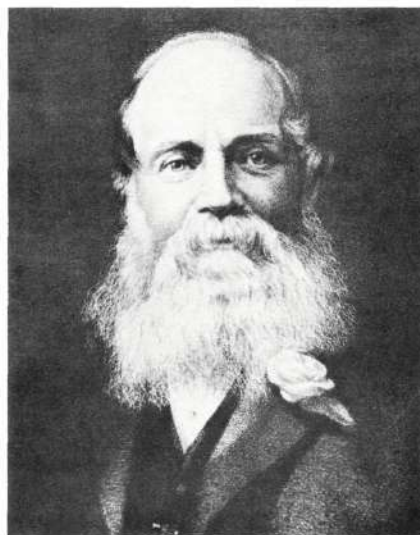
The limitation on the number of partners is one of the main reasons why we offer to undertake management consultancy work mainly through an associated firm, Deloitte, Plender, Robson, Morrow & Co. (Deloitte, Robson, Haskins & Sells in our work with U.S. clients).

Mr. Deloitte's practice prospered largely due to recognition of his outstanding abilities by a group of leading industrialists, many of whom subsequently had titles bestowed upon them by the Queen. Some well known accountants and stockbrokers passed through his office en route to their careers, and Deloitte's has been recognised, to quote *The Accountant*, as one of "the nurseries from which have sprung the most eminent accountants in the country." The system of English railway accounting was due very largely to Mr. Deloitte's initiative in the 1860's, when he acted as professional accountant to the Great Western Railway. He also originated a system of hotel account keeping adopted by many hotels here and abroad. He unravelled the great frauds that were perpetrated on the Great Northern Railway by Red-

Photo, page 12: St. Paul's Cathedral, encircled by scaffolding, looms through London haze as accountants approach Queen Victoria Street and Deloitte's offices adjoining building on right.

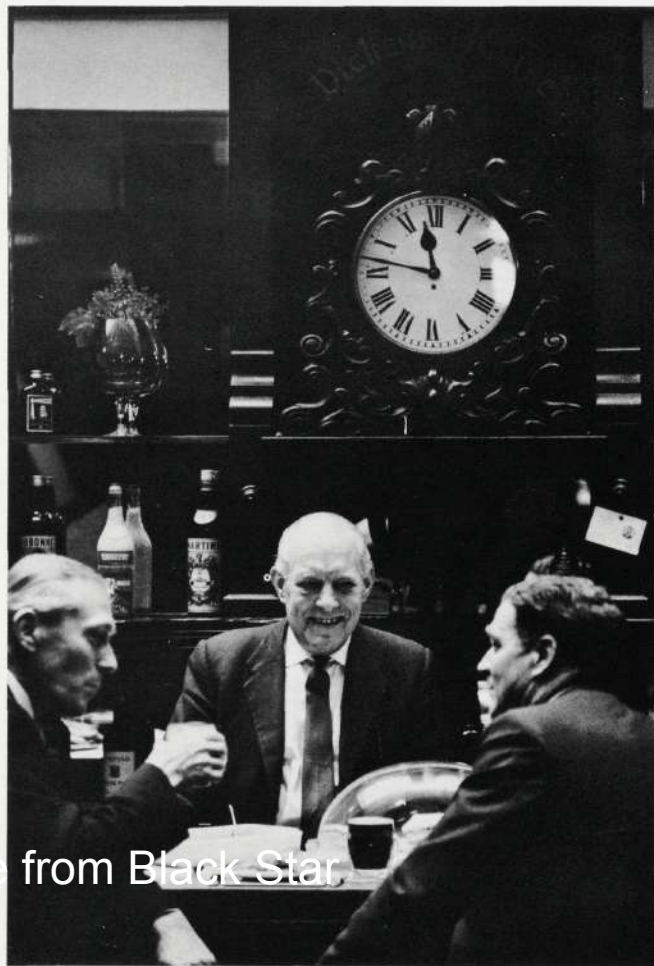
Above: The author presides at meeting of some of his partners: (l. to r.) Messrs. Charlton, Fendick, Wilkins, Pratten, Densem, Rae Smith, Godfrey, Cooper (barely visible), George.

Below: Under a VC-10, (l. to r.) R. J. Haynes of Deloitte's staff and W. Isaacs, supervising senior, confer with British Aircraft Corporation senior accountant F. S. King.





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path in 1857 and on the Great Eastern Steamship Company in 1870.

Mr. Deloitte continued to be closely connected with the Great Western Railway, who remained clients until the railways were nationalised after World War II. He also initiated the firm's long and close association with the cable companies and with the pioneer of one of them, Paul Julius Reuter, who in 1844, before the advent of the telegraph, established a carrier pigeon service on the Continent for transmitting stock market prices between commercial centers. One hundred years later, correspondents for Reuters Ltd. sent their press dispatches on the invasion of Normandy by pigeon post to England.

Today we have a reminder of the former extensive practice with cable companies in the Exchange Telegraph Co. and Cable & Wireless (Holdings) Ltd., originally a merger of many cable companies but now, following the purchase by the Government of the telegraph business, the largest investment trust in the country. Other clients dating from the last century include the Prudential Assurance Co. (reputedly the largest here) and the Savoy Hotel Group. I quite recently attended the annual meeting of Powell Duffryn Ltd. (originally colliery owners) at which mention was made that at the very first meeting in 1864 Deloitte's were appointed auditors.

Mr. Deloitte, according to one of his

associates, was "an alert, decisive little man, with just a touch of austerity in his manner; this, however, covered a kind heart. He was most particular in all things and dressed very carefully." Another had recorded that "his usual drink was sherry, of which he was considered a good judge. He never gambled or played cards, and thought billiards a wicked game. He had no particular hobby and went in for no sport as a young man except for a very occasional game of cricket."

By the time he retired in 1897, at the age of 80 (a year before his death), he had been senior partner for 52 years and was the oldest practicing accountant in England. The firm was left with only two continuing partners, though five had been introduced to partnership from time to time of whom the names of Greenwood, Dever, Hollebone and J. G. Griffiths had appeared at one time or another in the firm name.

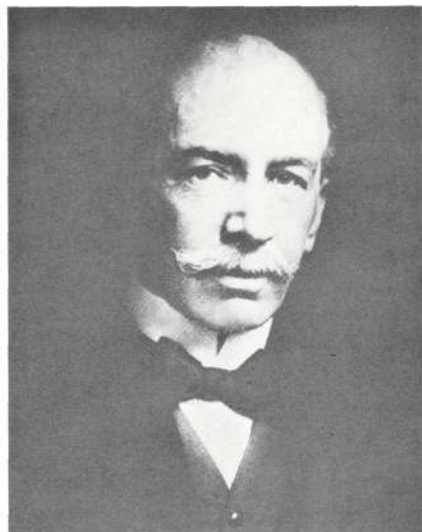
Notable among these was John G. Griffiths (photo below). A life-long friend summed up the characteristics which contributed to Mr. Griffiths' highly successful career; "not only is he one of the best accountants whoever grappled with figures, but he is the fortunate possessor of those other all-round qualities which go to make up a complete business man." He took a keen interest in professional matters and in questions of national moment which brought him into contact with many well-known political and other figures of the day. We find an early example of constructive service in a letter he wrote in 1887 to the Directors of the *Observer*, one of the earliest of the firm's many newspaper clients:

"I am sorry to note a considerable falling off in the sale of the newspaper as well as in the advertisements. The advertisements were so heavy in the half-year to 31st December 1886 that doubtless the income may be regarded as abnormal; but the falling off in sales appears to me to be very important having regard to the future position of the paper. On the other hand I find the expenses have nearly all considerably increased. I particularly draw your attention to the sub-editorial and office salaries. There is also a considerable

Above, right: G. Goulder, chief accountant (l.), and B. Wickham, administrative secretary (r.), lunch regularly at Horn Tavern, once frequented by Charles Dickens.

Above, left: Lunchtime relaxation in gardens nearby St. Paul's. *The Times* absorbs K. L. Waud, supervising senior.

Below: At International Computers & Tabulators, Ltd., articled clerk R. Collingwood (r) is shown new computer by E. Pascoe (l.) of client's staff.



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Above: J. Hawksley (top), articled clerk, descends ladder with Tom Mitten, stockman at Procter & Gamble Newcastle plant. P&G was a client of Deloitte's in Cincinnati before merger of their U.S. practice with H&S.

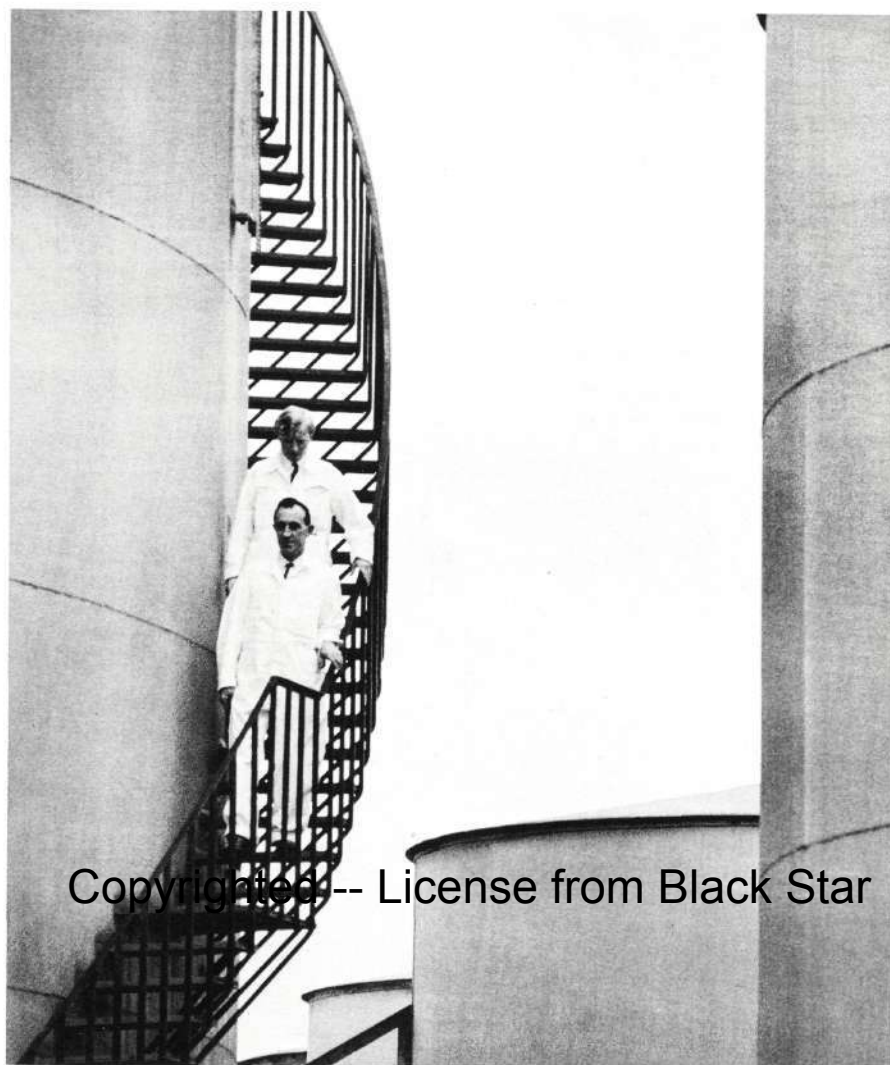
Below: Robert McPhail, a senior partner in London, silhouetted in his office window, which looks out to St. Paul's.

addition to the cost of reporting. You will know perhaps whether it is worthwhile to make any expenditure in pushing the paper either by advertising or by any other means. I need hardly suggest to you the importance of keeping up the circulation."

John Griffiths retired in 1902 at the comparatively early age of 57, but he lived on until 1922 and his experience continued in demand. He was for many years a director of the Great Western Railway and other companies. It was the custom of the railway to name locomotives after its directors, and one engine was the "John G. Griffiths." For years its photograph adorned the office of the firm.

With the retirement of Mr. Deloitte in 1897 and Mr. Griffiths in 1902 and with William Plender's introduction to partnership in 1897, the closing years of the last century in some ways mark a broad division in the firm's early history. In 1905, Mr. Plender became senior partner, and the offices were moved from 4, Lothbury, where they had been since 1857, to 5 London Wall Buildings, where they were to remain until 1964. Four years earlier, in 1901, an American firm, Haskins & Sells, opened an office in Coleman Street, the first accounting firm from the New World to establish itself in London. Relationship between the two firms was destined to become very close.

(Ed. Note: Mr. Densem's article describing Deloitte's further growth, its association with Haskins & Sells, its support of the profession, and its role in the turbulent twentieth century, will be continued in the next issue of *H&S Reports*.)



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